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*THE **OSHAWA** WHOLESALE LIMITED*

ANNUAL REPORT

FOR THE FISCAL YEAR ENDED JANUARY 27, 1968



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WHAT IS OSHAWA?

Oshawa is a rapidly growing merchandising complex principally dedicated to providing superior values in food and household goods for the Canadian consumer.

Through its food division (as at April 8th, 1968) Oshawa supplies 161 IGA stores and operates 18 Food City markets, serving hundreds of thousands of Canadians in central and southern Ontario. Ancillary operations include a wholesale produce house, a mushroom farm, a vegetable packing plant, shipping stands in major agricultural production areas, an institutional food supply service, commercial public freezer storages, and a frozen juice dispenser program through controlled franchises in Canada and the Caribbean Islands.

Non-food operations include 23 discount department stores (19 in Ontario and 4 in Quebec) many incorporating Food City markets and all offering impressive values and variety, a dry cleaning and laundry equipment sales organization and coin operated laundry shops and apartment installations in the United Kingdom.

The Company's history dates back to 1911 with the founding of The Ontario Produce Company, now an Oshawa subsidiary.

The "cherry picker", Oshawa's automated frozen food warehouse selector.



OSHAWA'S GOALS

To provide superior values and services. To fulfill, in generous measure, our responsibilities to society and good citizenship. To use human and physical resources wisely. To provide an atmosphere in which people with integrity, initiative and creativity can function and prosper. To sustain growth in sales, profits, and dividends. To these goals Oshawa is dedicated.

Directors

MURRAY C. GOLDMAN	LEONARD J. WOLFE
ALBERT SHIFRIN, Q.C.	MAURICE WOLFE
HARVEY S. WOLFE	MAX WOLFE
JACK B. WOLFE	RAY D. WOLFE

Corporate Management

RAY D. WOLFE, *President*
 MAURICE WOLFE, *Vice-President*
 MAX WOLFE, *Vice-President*
 LEONARD J. WOLFE, *Executive Vice-President and Secretary*
 MURRAY C. GOLDMAN, *Treasurer*

WILLIAM L. ATKINSON, *Vice-President, Department Store Division*
 VERDUN T. BARBER, *Vice-President, Marketing*
 ROBERT BASIST, *Vice-President, Projects*
 NORMAN J. PENTECOST, *Vice-President, Personnel*
 P. ALEX RAMEY, *Vice-President, Retail Operations*
 HARVEY S. WOLFE, *Vice-President, Real Estate and Corporate Development*
 JACK B. WOLFE, *Vice-President, Perishables*
 E. LEONARD BESLER, C.A., *Comptroller*
 PAUL MANOVITZ, *Administrative Assistant*
 G. FRANK PERKIN, *Executive Assistant*

MYRLE W. BOOK, *President, Allied Towers Merchants Limited*
 DR. JOHN F. BROWN, *General Manager, Langs Foods Limited*
 ALLAN JACK, *General Manager, Oshawa Trading Limited*
 ROBIN H. PHILLIPS, *Managing Director, Coin-A-Matic Laundry Equipment Limited*
 NICHOLAS PORA, *General Manager, Dominion Mushroom Company Limited*
 HARRY RUSSELL, *General Manager, The Ontario Produce Company Limited*

Registrar and Transfer Agent

The Canada Trust Company, Toronto, Montreal and Calgary

Auditors

Wm. Eisenberg and Company, Toronto

Bankers

Canadian Imperial Bank of Commerce
 Toronto-Dominion Bank
 Bank of Montreal

Listed on

Toronto Stock Exchange
 Montreal Stock Exchange

Head Office

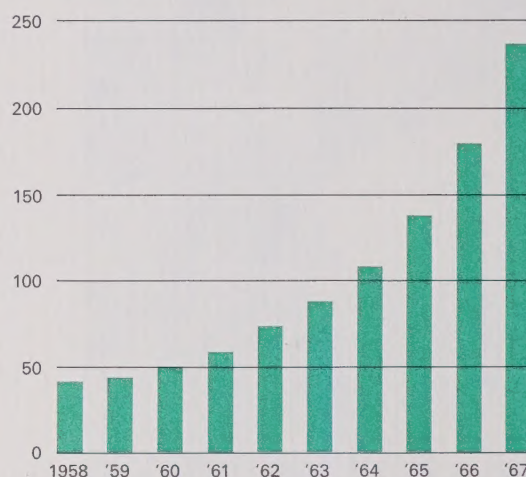
125 The Queensway, Toronto 18, Canada

A YEAR OF COMPANY GROWTH

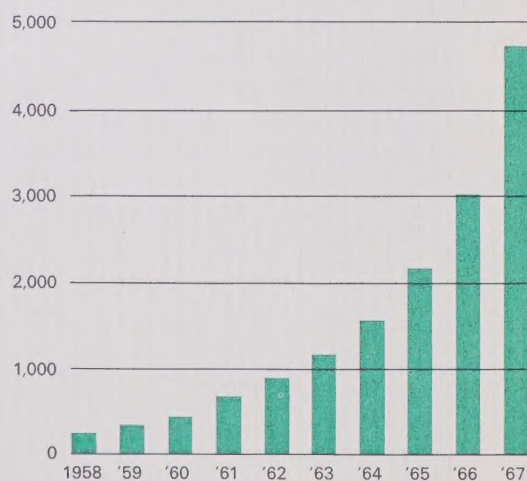
	January 27 1968	January 28 1967	% Increase
Sales	\$237,440,807	\$180,312,823	31.7
Net Profit	4,759,666	3,002,067	58.6
Net Profit Per Share *	86.5¢	60.5¢	43.0
Shares Outstanding	5,503,539	4,961,624	10.9
Dividends Paid	689,748	489,579	40.9
Dividends Paid Per Share	13¢	10¢	30.0
Working Capital	11,335,537	7,942,049	42.7
Number of Stores at Year End			
IGA	161	162	
Food City	17	14	
Department Stores	22	6	

*Combined Class A and Common

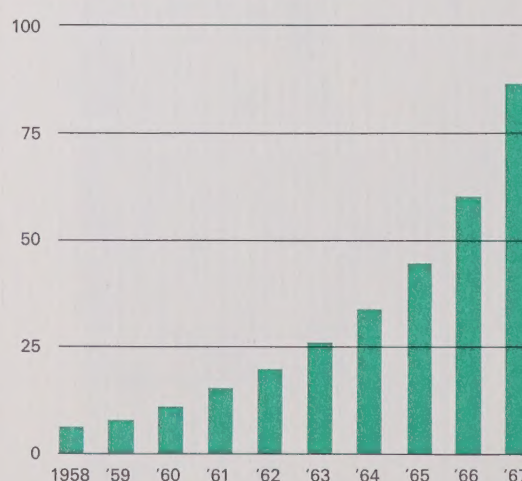
SALES in millions of dollars



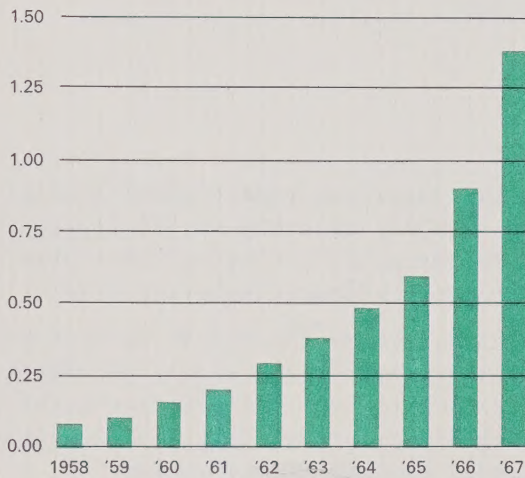
NET PROFIT in thousands of dollars



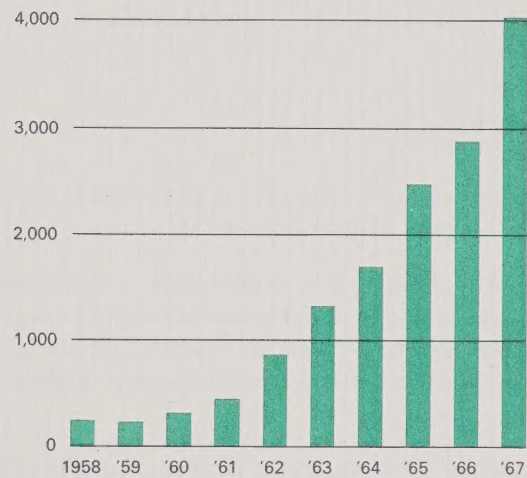
NET PROFIT PER SHARE in cents



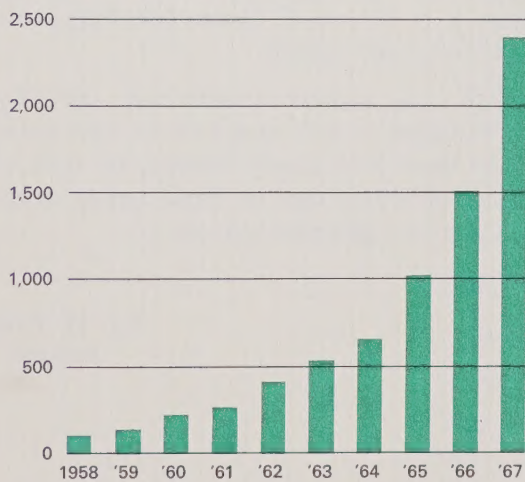
CASH FLOW PER SHARE in dollars



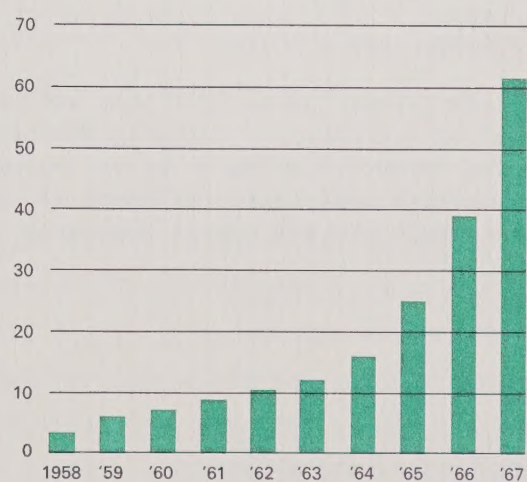
INCOME TAXES in thousands of dollars



DEPRECIATION in thousands of dollars



TOTAL ASSETS in millions of dollars



PRESIDENT'S REPORT

To the Shareholders

In every measurable way, 1967 was a remarkable year for The Oshawa Wholesale Limited.

While gains in sales and profits were, in themselves, highly encouraging, probably the most significant event of the year was the twinning of Oshawa's rapidly growing food division with an equally dynamic department store operation.

The purchase of substantially all of the shares of Allied Towers Merchants Limited and the outstanding minority position in Rite-Way Department Stores Limited and the subsequent merging of these operations under the Towers banner has created one of the largest discount department store chains in Canada and has given Oshawa a major participation in one of the fastest growing areas of retailing.

Despite the pressures of an inflationary economy, Oshawa's constant research in marketing and methodology and the prompt utilization of cost reduction techniques, have enabled IGA and Food City stores to bring steadily improved values to a mounting tide

of consumer supporters. In general merchandising too, Oshawa is rapidly translating research findings into operational savings and improved consumer values and much progress is anticipated in the coming years.

At wholesale, the acquisition of E. W. Hickeson & Co. Limited subsequent to the fiscal year end, effectively complements Langs Foods Limited and enables Oshawa to provide the broadest institutional food supply service available in central and southern Ontario.

An exciting spirit of change pervades all divisions of the Company as Oshawa people maintain the pace of progress they have come to accept as their standard.

We record with regret the resignation from the Board of Directors of Thomas H. Baker, following years of valuable service and counsel.

We record, too, without qualification, our sincere thanks: to Oshawa's dedicated staff for their untiring efforts; to those who supply Oshawa, for their continued co-operation; and to those whom Oshawa supplies, for their generous support.

RAY D. WOLFE,
President.

On behalf of the Board of Directors,
Toronto, April 8, 1968.

The Oshawa Wholesale Limited and Subsidiary Companies

FINANCIAL FOLIO

FOR THE YEAR ENDED JANUARY 27, 1968

Auditors' Report to the Shareholders

We have examined the consolidated balance sheet of The Oshawa Wholesale Limited and its subsidiary companies as at January 27, 1968, and the consolidated statements of profit and loss, retained earnings and source and use of funds for the year ended on that date. Our examination included a general review of the accounting procedures and such tests of accounting records and other supporting evidence as we considered necessary in the circumstances.

In our opinion, the accompanying consolidated balance sheet and consolidated statements of profit and loss, retained earnings and source and use of funds, present fairly the financial position of The Oshawa Wholesale Limited and its subsidiary companies as at January 27, 1968, and the results of their operations for the year ended on that date in accordance with generally accepted accounting principles applied on a basis consistent with that of the preceding year.

Toronto, Ontario,
March 18, 1968.

WM. EISENBERG & Co.,
Chartered Accountants.

CONSOLIDATED STATEMENT OF PROFIT AND LOSS

	Year Ended		
	January 27, 1968	January 28, 1967 (53 Weeks)	% Change
SALES	\$237,440,807	\$180,312,823	+ 31.7
Profit from operations before deducting the following expenses . . .	\$ 12,912,050	\$ 8,276,579	+ 56.0
<i>Deduct:</i>			
Interest on long-term debt	792,095	333,456	+137.5
Other interest	92,255	106,161	- 13.1
Salaries of directors and senior officers	394,625	368,339	+ 7.1
Amortization of store and equipment rentals (Note 5)	402,212	—	—
Depreciation	2,401,114	1,504,536	+ 59.6
	4,082,301	2,312,492	+ 76.5
PROFIT BEFORE INCOME TAXES AND MINORITY INTEREST	8,829,749	5,964,087	+ 48.0
Income taxes (Notes 7 and 9)	4,024,692	2,897,684	+ 38.9
PROFIT BEFORE MINORITY INTEREST	4,805,057	3,066,403	+ 56.7
Minority interest in profits of subsidiaries	45,391	64,336	- 29.5
NET PROFIT	\$ 4,759,666	\$ 3,002,067	+ 58.6
Net profit per combined Class "A" and Common Share	86½¢	60½¢	+ 43.0
Shares outstanding (Note 8)	5,503,539	4,961,624	+ 10.9

CONSOLIDATED STATEMENT OF RETAINED EARNINGS

	Year Ended	
	January 27, 1968	January 28, 1967 (53 Weeks)
RETAINED EARNINGS AT BEGINNING OF YEAR	\$ 8,747,076	\$6,234,588
Add: Net profit for year	4,759,666	3,002,067
	13,506,742	9,236,655
<i>Less:</i>		
Dividends Common Shares	48,279	37,138
Dividends Class "A" Shares	641,469	452,441
	689,748	489,579
RETAINED EARNINGS AT END OF YEAR	\$12,816,994	\$8,747,076

The accompanying notes are an integral part of the Consolidated Financial Statements.

CONSOLIDATED STATEMENT OF SOURCE AND USE OF FUNDS

	Year Ended	
	January 27, 1968	January 28, 1967 (53 Weeks)
SOURCE OF FUNDS		
OPERATIONS		
Net profit for year	\$ 4,759,666	\$ 3,002,067
Charges not requiring cash outlays		
Depreciation	2,401,114	1,504,536
Amortization of store and equipment rentals	402,212	—
Deferred income taxes	27,669	(64,943)
TOTAL FROM OPERATIONS	7,590,661	4,441,660
OTHER		
Issue of 5½% Subordinated Convertible Sinking Fund Debentures	—	8,000,000
Issue of Class "A" Shares	7,388,420	575,544
Increase in long-term debt	1,301,835	—
Reduction in dealers' and other loans receivable	—	46,427
Deferred income taxes assumed on acquisition of subsidiary	337,000	—
Decrease in investments	286,792	—
Deferred equipment rental income	175,173	—
Minority interest in subsidiaries	—	71,417
	<u>\$17,079,881</u>	<u>\$13,135,048</u>
USE OF FUNDS		
Purchase of land, buildings, equipment and leaseholds, less disposals	\$ 7,514,716	\$ 6,270,011
Deferred store and equipment rentals	2,091,925	—
Dividends to shareholders	689,748	489,579
Investments	—	258,760
Federal refundable tax	48,100	150,065
Reduction of long-term debt	—	52,788
Reduction of 5½% Subordinated Convertible Sinking Fund Debentures	252,000	—
Increase in dealers' and other loans receivable	955,906	—
Decrease in minority interest in subsidiaries	157,520	—
Increase in excess of carrying value of shares in subsidiaries over net book value of assets acquired	1,976,478	—
	<u>\$13,686,393</u>	<u>\$ 7,221,203</u>
INCREASE IN WORKING CAPITAL	<u>\$ 3,393,488</u>	<u>\$ 5,913,845</u>
Working capital at end of year	\$11,335,537	\$ 7,942,049
Working capital at beginning of year	7,942,049	2,028,204
INCREASE IN WORKING CAPITAL	<u>\$ 3,393,488</u>	<u>\$ 5,913,845</u>

The Oshawa Wholesale Limited and Subsidiary Companies CONSOLIDATED B

(Incorporated under the Laws of the Province of Ontario)

ASSETS

CURRENT ASSETS

	January 27, 1968	January 28, 1967
Cash	\$ 437,422	\$ 164,302
Short term notes	9,000,000	6,500,000
Marketable securities—cost (market value \$21,856)	28,490	60,809
Accounts and loans receivable (Note 4)	7,823,767	6,311,586
Loan to Owl Realty Limited	1,105,976	1,194,631
Inventories—lower of cost or market	15,109,976	6,634,323
Prepaid expenses	862,242	217,956
	<u>34,367,873</u>	<u>21,083,607</u>

DEFERRED ASSETS

Special refundable tax	198,165	150,065
Dealers' and other loans receivable (Note 4)	2,555,049	1,606,224
Cash surrender value of life insurance	79,978	72,897
Deferred store and equipment rentals (Note 5)	1,689,713	—
	<u>4,522,905</u>	<u>1,829,186</u>

INVESTMENTS

Shares in Owl Realty Limited—cost	173,000	173,000
Other investments—cost	179,723	466,515
	<u>352,723</u>	<u>639,515</u>

FIXED ASSETS

Land—cost	3,113,340	2,143,059
Buildings—cost	7,424,908	6,655,700
Fixtures and equipment—cost	12,696,033	8,769,225
Automotive equipment—cost	1,428,060	1,210,875
Leaseholds—cost	2,899,693	1,343,680
	<u>27,562,034</u>	<u>20,122,539</u>
Less: Accumulated depreciation	7,220,380	4,894,487
	<u>20,341,654</u>	<u>15,228,052</u>

EXCESS OF CARRYING VALUE OF SHARES IN SUBSIDIARIES OVER NET BOOK VALUE OF ASSETS ACQUIRED

	2,087,479	111,001
	<u>\$61,672,634</u>	<u>\$38,891,361</u>

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS AS AT JANUARY 27, 1968

1. ACQUISITIONS—During the year, the Company acquired a controlling interest in Allied Towers Merchants Limited and as at January 27, 1968 held 99.5% of the issued Common Shares and 98.4% of the issued Preference Shares of this subsidiary.

In August, 1967, the Company purchased the 25% minority interest in Rite-Way Department Stores Limited and Praise Investments Limited, and in December, 1967, purchased the 25% minority interest in Coin-A-Matic Laundry Equipment Limited, making these companies wholly-owned subsidiaries.

2. BASIS OF CONSOLIDATION—The consolidated financial statements include the annual accounts of The Oshawa Wholesale Limited and all subsidiary companies.

The consolidated statements of profit and loss and retained earnings include the operating results of Allied Towers Merchants Limited for the period April 23, 1967 to January 27, 1968, and of all other subsidiaries for the full fiscal year ended January 27, 1968.

The accounts of the foreign subsidiaries have been converted to Canadian currency at the following rates of exchange:

- Current assets and current liabilities—at rates prevailing January 27, 1968;
- Fixed assets and accumulated depreciation—at rates prevailing during the years of acquisition;

- Revenue and expenses (excluding depreciation)—at rates prevailing January 27, 1968.

3. COMPARATIVE FIGURES—The comparative figures for 1967 on the consolidated balance sheet and consolidated statement of profit and loss have been restated to conform with the 1968 presentation.

4. BANK INDEBTEDNESS—The bank loans are secured by a general assignment of book debts and, in the case of a subsidiary, by a chattel mortgage.

A subsidiary of the Company has issued to its bankers as collateral security for any bank indebtedness 6% debentures which are payable on demand, secured by a first floating charge on the undertaking, property and assets of the subsidiary. The issue is limited to \$2,000,000 and as at January 27, 1968, the bank indebtedness of the subsidiary amounted to \$900,000.

5. DEFERRED STORE AND EQUIPMENT RENTALS—Rentals in respect of two store properties leased by a subsidiary and payable over a 12 year term (with an option to purchase at the completion of the term for \$1.00 each) are being amortized over a period of 25 years. Equipment rentals (under lease option agreements) payable by the subsidiary over various periods extending to 1969 are being amortized over a period of 7 years.

LIABILITIES

CURRENT LIABILITIES

Bank indebtedness (Note 4)	\$ 2,042,251	\$ 177,715
Accounts payable and accrued liabilities	17,750,881	11,263,656
Income taxes payable	2,090,723	818,249
Loan and mortgage payments due within one year	1,148,481	881,938
	<u>23,032,336</u>	<u>13,141,558</u>

DEFERRED LIABILITIES

Bank loans payable (Note 4)	322,334	883,338
Deferred equipment rental income	175,173	—
Notes and mortgages payable	5,378,909	3,249,527
	<u>5,876,416</u>	<u>4,132,865</u>
Less: Payments due within one year	1,148,481	881,938
	<u>4,727,935</u>	<u>3,250,927</u>

5½% SUBORDINATED CONVERTIBLE SINKING FUND DEBENTURES (Note 6)	7,748,000	8,000,000
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ACCUMULATED TAX REDUCTIONS APPLICABLE TO FUTURE YEARS (Note 7)	573,942	209,273
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MINORITY INTEREST IN SUBSIDIARIES	112,264	269,784
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TOTAL LIABILITIES	<u>36,194,477</u>	<u>24,871,542</u>
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SHAREHOLDERS' EQUITY

CAPITAL STOCK (Note 8)

Authorized—8,200,000 Class "A" non-voting shares, no par value
1,112,000 Common shares, no par value

	January 27, 1968	January 28, 1967		
Issued—				
Class "A" Shares	5,132,163	4,590,248	12,566,023	5,177,603
Common Shares	371,376	371,376	95,140	95,140

RETAINED EARNINGS	12,661,163	5,272,743
	<u>12,816,994</u>	<u>8,747,076</u>

TOTAL SHAREHOLDERS' EQUITY	<u>25,478,157</u>	<u>14,019,819</u>
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	<u>\$61,672,634</u>	<u>\$38,891,361</u>
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APPROVED ON BEHALF OF THE BOARD: RAY D. WOLFE, *Director*; LEONARD WOLFE, *Director*.

6. 5½% SUBORDINATED CONVERTIBLE SINKING FUND DEBENTURES—The Company has outstanding \$7,748,000 of 5½% Subordinated Convertible Sinking Fund Debentures due November 15, 1986.

Annual Sinking Fund payments of \$500,000 commence November 15, 1977.

The Debentures are convertible into The Oshawa Wholesale Limited Class "A" Shares as follows:

Up to November 15, 1976, at \$14.00 per share;
November 16, 1976, to November 15, 1981, at \$15.50 per share;
November 16, 1981, to November 15, 1986, at \$17.00 per share.

7. ACCUMULATED TAX REDUCTIONS APPLICABLE TO FUTURE YEARS—For income tax purposes, the Company has claimed maximum capital cost allowances which are in excess of the depreciation recorded in the accounts. The resulting deferred taxes are provided for on the balance sheet as "Accumulated Tax Reductions Applicable to Future Years." These taxes will become payable in years when the depreciation recorded in the accounts is in excess of maximum capital cost allowances.

8. CAPITAL STOCK—On October 11, 1967, the Class "A" and Common Shares were split on a two-for-one basis and supplementary letters patent were issued increasing the authorized capital of the Company to 8,200,000 Class "A" Non-Voting Shares without par value and 1,112,000 Common Shares without par value.

During the year 541,915 Class "A" Shares (subdivided basis) were issued for \$7,388,420 as follows: a) 88,200 Class "A" Shares for cash

—\$439,220; b) 435,716 Class "A" Shares on the acquisition of shares in subsidiary companies—\$6,697,200; c) 17,999 Class "A" Shares on the conversion of the 5½% Subordinated Convertible Sinking Fund Debentures—\$252,000.

The Company has reserved 265,000 Class "A" Shares for issue under executive stock option plans. As at January 27, 1968, options for 182,100 shares were outstanding which become exercisable over the next five years at prices ranging from \$4.12½ to \$22.50 per share. 553,431 Class "A" Shares have been reserved for conversion of the 5½% Subordinated Convertible Sinking Fund Debentures.

9. INCOME TAXES—Income taxes otherwise payable have been reduced by approximately \$410,000 due to the carry forward for tax purposes of losses incurred by certain subsidiaries prior to their acquisition.

10. LEASES—The minimum annual rentals payable (exclusive of taxes, insurance, and other occupancy charges) under lease obligations for store locations and warehouse facilities amount to \$4,265,000. In addition, a subsidiary has annual rental obligations for store equipment amounting to \$338,000.

It is expected that annual rental revenue of \$1,149,000 will be received from stores that have been sub-let.

11. EVENTS SUBSEQUENT TO THE BALANCE SHEET DATE—Subject to the fulfillment of certain conditions, the Company agreed to acquire the shares of E. W. Hickeson & Co. Limited on March 29, 1968, in consideration for 27,222 Class "A" Shares of The Oshawa Wholesale Limited and \$367,507 in cash.

The Oshawa Wholesale Limited and Subsidiary Companies

Year Ended	Sales		Profit Before Depreciation, Income Taxes and Minority Interest	Depreciation	Income Taxes	Net Income
		(Increase)				
Jan. 27, 1968	\$237,440,807	31.7%	\$11,633,075	\$2,803,326	\$4,024,692	\$4,759,666
Jan. 28, 1967	180,312,823	30.4%	7,468,623	1,504,536	2,897,684	3,002,067
Jan. 22, 1966	138,288,835	29.4%	5,690,514	1,011,423	2,471,777	2,158,651
Jan. 23, 1965	106,867,754	20.4%	3,936,325	660,781	1,698,412	1,577,132
Jan. 25, 1964	88,748,780	20.1%	3,025,115	535,074	1,302,661	1,187,380
Jan. 26, 1963	73,881,089	25.1%	2,154,908	421,389	852,508	881,011
Jan. 27, 1962	59,069,399	18.0%	1,387,154	258,075	445,652	683,427
Jan. 28, 1961	50,048,821	14.3%	975,275	226,234	301,285	447,756
Jan. 23, 1960	43,783,423	3.0%	684,985	139,963	217,235	327,787

Year Ended	Total Shares Outstanding*	Shareholders' Equity	Shareholders' Equity Per Share*	High—Low Stock Price	Total Assets
Jan. 27, 1968	5,503,539	\$25,478,157	\$4.63	\$32¼—12¾	\$61,672,634
Jan. 28, 1967	4,961,624	14,019,819	2.83	15¼—11	38,891,361
Jan. 22, 1966	4,858,284	10,931,787	2.25	15 — 8½	25,411,788
Jan. 23, 1965	4,667,184	7,608,887	1.63	9⅛— 5	16,281,382
Jan. 25, 1964	4,605,584	6,096,704	1.33	5½— 3¾	12,574,707
Jan. 26, 1963	4,499,184	5,259,693	1.17	4¾— 2½	10,636,181
Jan. 27, 1962	4,465,584	4,513,172	1.01	4¼— 1	8,897,066
Jan. 28, 1961	4,183,704	3,712,067	.89	1⅛— ⅞	7,262,110
Jan. 23, 1960	4,163,104	3,355,250	.81	1⅛— ⅞	6,058,501

*Combined Class "A" and Common.

Figures for previous years have been adjusted for the two-for-one stock splits of June 9, 1964, O

NINE YEARS OF PROGRESS

	Net Profit Per Share*	Net Profit as a Percentage of Sales	Cash Flow	Cash Flow Per Share*	Total Dividends	Dividends Per Share*	Reinvested in Business
(Increase) 58.6%	(Increase) 86.5¢ 43.0%	2.00	\$7,590,661	\$1.38	\$689,748	13.0¢	\$4,069,918
49.1%	60.5¢ 36.0%	1.66	4,441,660	.89½	489,579	10.0¢	2,512,488
36.9%	44.4¢ 31.9%	1.56	3,153,327	.65	426,251	9.0¢	1,732,400
32.8%	33.8¢ 31.1%	1.48	2,256,406	.48½	289,049	6.5¢	1,288,083
24.8%	25.8¢ 31.2%	1.34	1,766,724	.38½	228,569	5.0¢	958,811
18.9%	19.6¢ 28.7%	1.19	1,302,400	.29	168,090	3.7¢	712,921
12.6%	15.3¢ 43.0%	1.16	941,502	.21	165,081	3.7¢	518,346
6.6%	10.7¢ 35.8%	.89	673,990	.16	104,593	2.5¢	334,929
2.6%	7.8¢ —	.75	467,750	.11¼	—	—	292,751

Current Assets	Current Liabilities	Working Capital	Current Ratio	Payroll Costs	Number of Full-time Employees
\$34,367,873	\$23,032,336	\$11,335,537	1.49:1	\$19,722,453	3,092
21,083,607	13,141,558	7,942,049	1.60:1	12,050,951	2,085
12,731,907	10,703,703	2,028,204	1.19:1	8,044,058	1,654
9,833,048	7,485,952	2,347,096	1.31:1	5,265,488	1,001
7,548,587	5,496,533	2,052,054	1.37:1	4,239,427	722
6,141,978	5,058,488	1,083,490	1.20:1	3,346,813	620
5,347,752	3,902,922	1,444,830	1.37:1	2,607,362	549
4,831,690	2,944,043	1,887,647	1.64:1	2,194,767	434
4,327,125	2,289,850	2,037,275	1.89:1	1,837,837	400

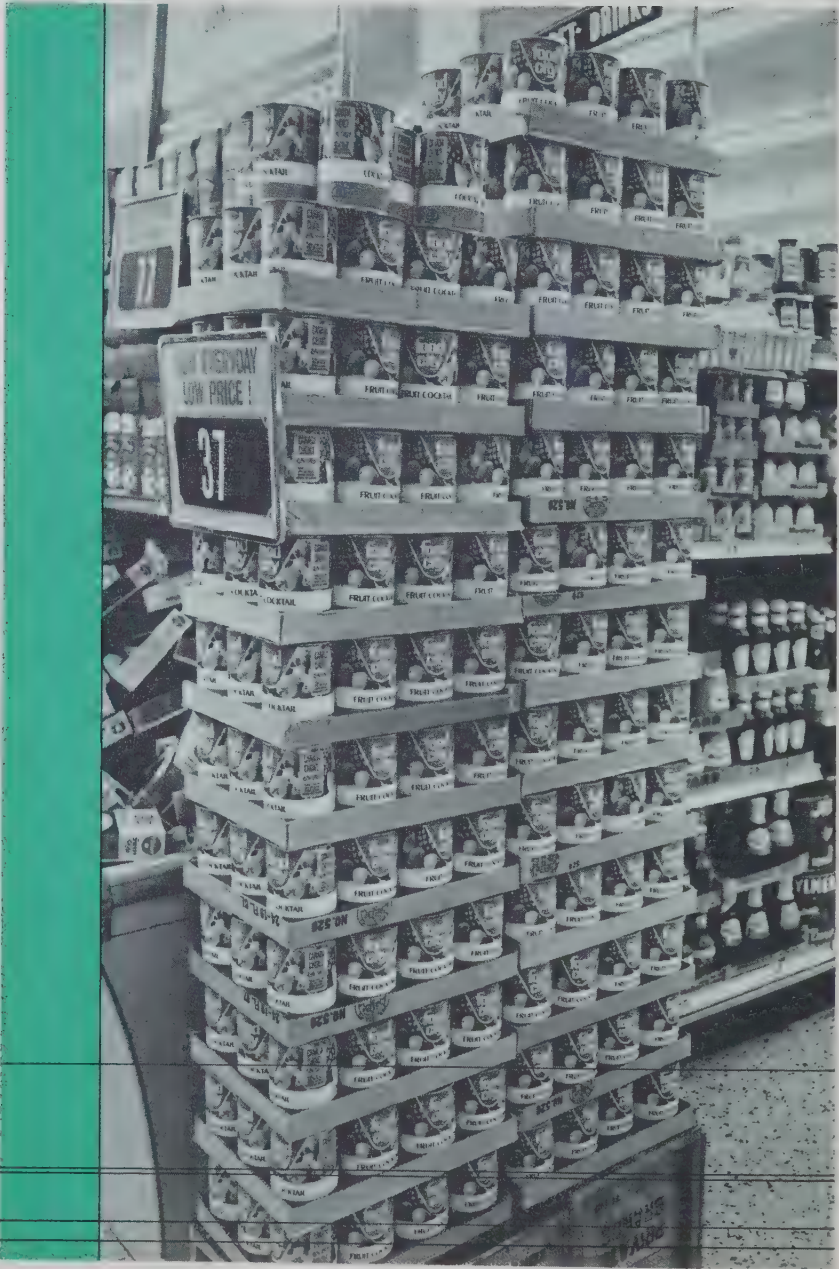
or 21, 1965 and October 11, 1967.

DISTRIBUTION OF INCOME FOR THE YEAR ENDED JANUARY 27, 1968

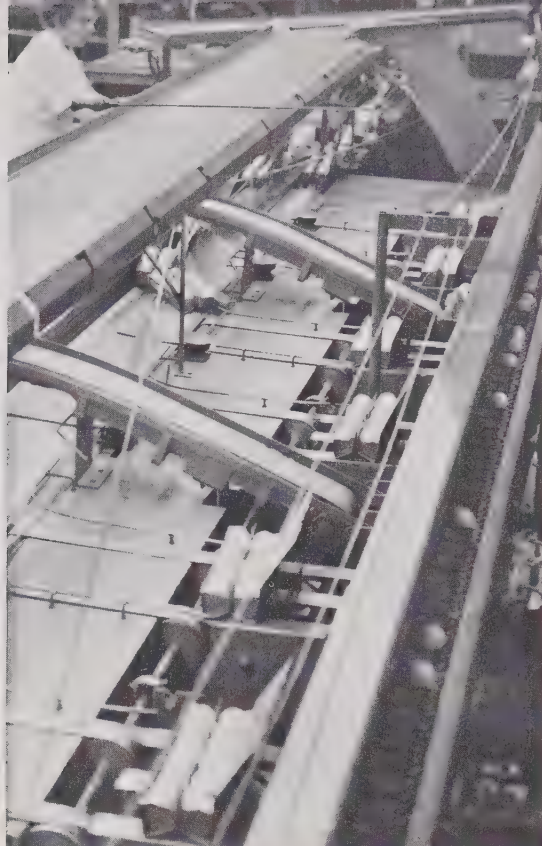
SALES \$ 237,440,807 — 100%

COST OF MERCHANDISE 84.03 ▶
\$199,522,689

PAID TO EMPLOYEES \$19,722,453 8.31 ▶
PAID TO SHAREHOLDERS \$689,748 .29 ▶
OPERATIONAL COSTS \$9,411,307 3.96 ▶
INCOME TAXES \$4,024,692 1.70 ▶
RE-INVESTED FOR DEVELOPMENT \$4,069,918 1.71 ▶



Section of Oshawa's new egg grading and packing operation.



YEAR IN REVIEW

Sales—Increase 31.7%

Consolidated sales increased \$57,127,984 to an all-time high of \$237,440,807, the largest annual increase to date. The Company's expansion program for 1968 is the most ambitious in its history and sales are expected to grow at a rate consistent with planned objectives.

Net Profit—Increase 58.6%

Consolidated net profit increased \$1,757,599 to \$4,759,666. This represents 2 per cent of the Company's sales as compared to 1.66 per cent for last year and reflects the additional profit contribution of the department store division. Profit per share was 86.5 cents on 5,503,539 combined Class "A" and Common compared with 60.5 cents on 4,961,624 shares last year, adjusted for the two-for-one stock split of October 11, 1967.

Dividends Increased

On March 10, 1967, the Company announced an increase of 6 cents per share. Based on the two-for-one split, the Company paid 13 cents per share for the year 1967. A further increase of 5 cents per share was announced March 19, 1968. This is the eighth successive increase since 1960 and will bring the annual dividend to 18 cents. The dividends will be paid

quarterly commencing April 18, 1968, to shareholders of record March 27, 1968.

Working Capital

Working capital at year end totalled \$11,335,537 compared with \$7,942,049 as at January 28, 1967. The consolidated statement of source and use of funds explains the changes which took place during the past twelve months.

Subsidiaries

In 1967, Oshawa acquired control of Allied Towers Merchants Limited and as at January 27, 1968, held 99.5 per cent of the issued Common Shares and 98.4 per cent of the issued Preference Shares of this subsidiary.

In August, the Company purchased the 25 per cent minority interest in Rite-Way Department Stores Limited and Praise Investments Limited, making both wholly-owned subsidiaries. In December, Rite-Way sold its assets to Allied Towers Merchants Limited and the operation of the two department store companies became fully integrated. The efficiencies and economies of these moves are now becoming manifest.

In September, Langs Foods Limited sold its "Retail Food Plan" division. This has enabled Langs to concentrate its energies in the institutional food service



Happy anticipation as shoppers swarm into a new Oshawa food market and department store.

and commercial storage fields, both of which provide greater profit potential than the "Food Plan."

In December the 25 per cent minority interest in Coin-A-Matic Laundry Equipment Limited was purchased and it too became a wholly owned subsidiary. Despite the recent devaluation of the pound sterling, Coin-A-Matic made good progress in 1967 and further gains are expected in 1968.

Retail Expansion

IGA

Eight spacious and modern markets were opened during the year, replacing nine small stores. Three were substantially enlarged and six completely remodelled. At year end, Oshawa served 161 IGA units.

IGA dealer sales growth continues to outstrip industry averages, testifying to the fundamental soundness of owner-operated enterprise. Many stores now operating beyond capacity require either major enlargement or relocation and a continuing program is under way to meet these needs. Five units are presently scheduled for replacement and ten for remodelling and enlargement.

FOOD CITY

With openings in 1967 in Barrie, Stratford and Woodstock, the Company at year end operated 17 of these high-volume outlets. Since the fiscal year end an additional unit was opened in North Bay. Three

more are presently nearing completion, two in Toronto and one in Owen Sound and three are scheduled for summer construction.

DISCOUNT DEPARTMENT STORES

The acquisition of 13 "Towers" stores, plus the openings of three during the year and another in March of 1968 have dramatically increased Oshawa's share of the discount department store market. Combined with the original Rite-Way group, 23 units are presently in operation. Two more are under construction and a third in the advanced planning stage.

Sites for the Company's 1969 retail expansion program have now been secured and plans for 1970 are nearing completion.

Operating Facilities

In 1967 a number of significant improvements in operating facilities and procedures were effected, some requiring plant expansion or new equipment, others implementation of new techniques and methods. All measurably contributed to speedier or less costly handling of goods and/or better service.

Dry groceries, health and beauty aids, tobacco and confectionery are now housed in the Malton Distribution Centre. Construction of a 136,000 square-foot addition to the Malton Centre recently commenced with completion scheduled for June, 1968. The expanded premises will have 43 truck bays and an eight-



*Web of steel marks Malton Distribution
Centre expansion.*

car interior rail siding. The additional facilities for ingress and egress of merchandise will end line-ups of delivery vans which have hampered maximum use of transportation equipment.

The transfer of the grocery operation to Malton made it possible for the Queensway warehouse to accommodate both Towers' warehousing needs and a much needed expansion of Perishables Division facilities. A new dairy cooler tripled original capacity and brought all perishable products under precise and scientifically controlled refrigeration and rotation. Larger volume purchases have been facilitated and the need for outside storage eliminated.

Construction of four additional banana ripening rooms is under way. When completed, Oshawa will have 17 ripening rooms and banana-handling procedures, inspection and quality control equal to any comparable operation in North America.

The egg grading and packing facility which commenced operation in April, 1967, reached capacity production in December and a duplicate line was installed. Consumer reaction to superior quality and value was instantaneous and substantially higher sales have resulted.

In frozen foods, the introduction of the "cherry picker" selector unit (shown on the inside front cover of this report) speeded order processing and permitted full utilization of freezer cubic space as well as higher productivity. Designed by Oshawa people in co-

operation with the manufacturer, the "cherry picker" is a food industry innovation. Through its use, one selector can move vertically or horizontally to cover 360 frozen food slots and process up to 10 orders at a time, placing cases on a ferris wheel dispensing shelf which in turn deposits them on a high speed conveyor belt. A foot warmer and heat lamps enable the selector to process orders in the freezer for up to two hours, double the time previously possible.

Data processing capacity has been doubled with installation of a second IBM System/360, Model 30 computer as Oshawa continues its search for faster and more comprehensive analysis of information. Data processing for all divisions and subsidiaries is being centralized.

Sophistication of computer programming and data processing has made possible an entirely new approach to order processing, case labeling and retail pricing. Orders are now printed by the computer on a series of gummed label selection sheets. Warehouse selectors apply the labels to every carton and the labels provide price information for retail clerks. This procedure has substantially reduced losses from pricing errors.

Dominion Mushroom has added six new mushroom houses, bringing its growing area to 140,000 square feet. A further extension is under study.

At London, the frozen foods plant referred to in last year's report is completed and operating near capacity.



Prime Minister Pearson and Northern and Indian Affairs Minister Laing meet IGA-sponsored Yukon Indian centennial tour.

Community Service

Canada's centennial has come and gone. But to Oshawa and IGA people it will not be soon forgotten. To us centennial was synonymous with happy children and the vision of smiling children's faces has a quality all its own.

Together with five other IGA wholesalers, Oshawa celebrated Canada's 100th anniversary by taking 35 teenage Indian boys and girls from the Yukon Territory on a red carpet, coast-to-coast tour of Canada. It was a journey of discovery, a look at "the outside", an introduction to their country.

They visited Expo; saw an N.H.L. hockey game and met their hockey heroes; sat at the controls of air force jets and explored warships; tasted the salt air and seafood of two oceans; ate many strange and wonderful new foods; met, talked and danced with hundreds of people their own age; were awed by skyscrapers, elevators, revolving doors and traffic lights. Everyday sights and sounds were wondrous to those who previously only had read about them.

The students met privately with Prime Minister Pearson and within moments of his 20-minute informal chat, were relaxed and laughing. They seemed tall and proud when later informed that theirs was one of the few student groups the Prime Minister had ever met. Oshawa has never participated in a more rewarding public service program.

Last May, the Company participated in another significant tour. This time the object was the study of Oshawa itself—its plant, facilities, services and methods. The "students" were 144 European wholesale food distributors from eight countries on a two-week mission to four North American firms.

For Oshawa it was an invasion in force—but a friendly invasion which uniquely tested the Company's organizational capacities. Tours of retail and wholesale installations as well as seminars were conducted in English, French and German. Descriptive material was presented in three languages. When they departed, the European visitors left a clear impression that Oshawa's family of friends had been extended much further afield.

Oshawa's last annual report too was a subject of study—in graduate business schools, university commerce and finance classes and in investment classes sponsored by the Investment Dealers' Association of Canada at The Toronto Stock Exchange. The report was selected for a Financial Post Award by the Canadian Institute of Chartered Accountants, the Investment Dealers' Association of Canada and the Association of Canadian Advertisers, as one of the three best reports in the Retailing and Distribution classification.

Oshawa Looks Ahead

Things have never been dull at Oshawa and 1968 looks like more of the same.



OSHAWA—Serving People



Subsidiaries

Allied Towers Merchants Limited

Coin-A-Matic Laundry Equipment Limited

The Ontario Produce Company Limited
Dominion Mushroom Company Limited

Langs Foods Limited

Oshawa Trading Limited

The Oshawa Properties Limited
Praise Investments Limited

AR30

SALES INCREASE — 20.77%

Consolidated sales in the 28 weeks ended August 10, 1968 were a record \$141,368,099, a 20.77% increase over \$117,054,245 last year. Sales for the last full fiscal year were \$237,440,807.

PROFIT INCREASE — 22.50%

Consolidated net profit was \$2,285,756, compared with \$1,865,972 last year, an increase of \$419,784 or 22.50%. Profit per share was up 18.57% to 40.92 cents on 5,586,398 outstanding shares compared with 34.51 cents on 5,407,740 shares last year. (Consolidated figures do not include shares issued on acquisition of Kent Drugs Ltd., July 31, 1968, or Kent's sales and earnings.)

EXPANSION

Retail expansion continues as planned. Since the beginning of the fiscal year, two IGA markets (replacing smaller units), three Food City markets and two Towers Discount department stores have been opened. In addition, five Food City and five IGA units have been completely re-equipped.

Seven more outlets are scheduled to open by year end—two IGA, three Food City markets and two Towers Discount department stores. In all divisions, extensive remodelling of a number of older units will also take place.

A 136,000 square-foot addition to the Malton Distribution Centre was completed and operational in July.

Plans are now being developed for a 250,000 square-foot department store warehouse to be erected on the Malton site. Construction is expected to start in the spring of 1969.

ACQUISITION

Oshawa's offer to purchase Kent Drugs Ltd. for 87,500 Class "A" shares (as previously reported in a letter to shareholders dated July 8, 1968) was accepted and became effective on July 31, 1968. This acquisition brings 25 pharmacies, 13 health and beauty aid units and many years of expertise in consumer service to Oshawa's expanding family of value-conscious retail outlets.

TRANSFER AGENTS

For the convenience of shareholders in British Columbia, additional transfer facilities have been established with the Canada Trust Company in Vancouver.

PROSPECTS

Despite the pressures of rising costs and intensified competition, Oshawa anticipates that 1968 will be another satisfactory year.

R. D. Wolfe,
President.

September 24, 1968



THE OSHAWA WHOLESALE LIMITED

125 The Queensway, Toronto 18, Canada

SUBSIDIARIES

Allied Towers Merchants Limited

Coin-A-Matic Laundry Equipment Limited

Kent Drugs Limited

Langs Foods Limited

E. W. Hickeson & Co. Limited

The Ontario Produce Company Limited

Dominion Mushroom Company Limited

The Oshawa Properties Limited

Oshawa Trading Limited

Listed on — Toronto Stock Exchange
Montreal Stock Exchange

Registrar and Transfer Agent—
Canada Trust Company,
Toronto, Montreal, Calgary and Vancouver



THE OSHAWA WHOLESALE LIMITED

125 The Queensway, Toronto 18, Canada

THE OSHAWA WHOLESALE LIMITED AND SUBSIDIARY COMPANIES

CONSOLIDATED STATEMENT OF PROFIT AND LOSS

FOR 28 WEEKS ENDED AUGUST 10, 1968

TEN YEAR COMPARISON

	Sales	Net Profit	*Net Profit Per Share	*Shares Outstanding
Increase 1968 Over 1967	20.77%	22.50%	18.57%	3.30%
1st 28 Weeks 1968	\$141,368,099	\$2,285,756	40.92¢	5,586,398
1st 28 Weeks 1967	117,054,245	1,865,972	34.51	5,407,740
1st 28 Weeks 1966	92,333,609	1,365,934	27.93	4,890,424
1st 28 Weeks 1965	70,656,136	1,006,360	21.52	4,676,784
1st 28 Weeks 1964	54,718,234	739,480	16.55	4,605,584
1st 28 Weeks 1963	46,141,957	563,673	12.55	4,537,184
1st 28 Weeks 1962	38,788,076	420,945	9.45	4,468,784
1st 28 Weeks 1961	30,776,176	286,218	6.6	4,353,704
1st 28 Weeks 1960	25,826,938	217,153	5.2	4,183,704
1st 28 Weeks 1959	23,614,750	210,448	5.2	4,005,504

*Figures for previous years have been adjusted for the two-for-one stock splits of June 9, 1964, October 21, 1965 and October 11, 1967.

	August 10, 1968	August 12, 1967	% Increase
Sales	\$141,368,099	\$117,054,245	+ 20.77
Net profit before income taxes	4,717,462	3,612,196	+ 30.60
Income taxes	2,431,706	1,746,224	+ 39.26
Net profit	\$ 2,285,756	\$ 1,865,972	+ 22.50
Net profit per combined Class "A" and Common Share	40.92¢	34.51¢	+ 18.57
Shares outstanding	5,586,398	5,407,740	+ 3.30

CONSOLIDATED STATEMENT OF SOURCE AND USE OF FUNDS

	28 Weeks Ended	
	August 10, 1968	August 12, 1967
SOURCE OF FUNDS		
Operations		
Net profit for period	\$ 2,285,756	\$ 1,865,972
Depreciation	1,981,127	1,093,098
Total from operations	4,266,883	2,959,070
Other		
Issue of Class "A" Shares	1,616,719	6,698,476
Reduction in dealers' and other loans receivable	448,247	638,550
Increase in bank loans	119,666	—
Minority interest in subsidiaries	16,199	—
Loans and mortgages payable	—	2,974,203
	\$ 6,467,714	\$ 13,270,299
USE OF FUNDS		
Purchase of land, buildings, equipment and leaseholds, less disposals	4,636,452	5,040,502
Dividends to shareholders	498,994	335,740
Decrease in loans and mortgages payable	1,026,411	—
Investments	981,844	312,848
Federal refundable tax	49,092	54,266
Reduction in bank loans	—	203,338
Decrease in minority interest in subsidiaries	—	71,347
Deferred equipment and store rentals	14,016	1,563,000
Increase in cash surrender value of life insurance	1,536	—
Reduction of 5½% Subordinated Convertible Sinking Fund Debentures	667,000	—
Increase in excess of carrying value of shares in subsidiaries over net book value of assets acquired	4,111	1,117,318
	\$ 7,879,456	\$ 8,698,359
INCREASE (DECREASE) IN WORKING CAPITAL	\$ (1,411,742)	\$ 4,571,940
Working capital at end of period	9,923,795	12,513,989
Working capital at beginning of period	11,335,537	7,942,049
Increase (Decrease) in working capital	\$ (1,411,742)	\$ 4,571,940